



GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS* THE GEF/LDCF/SCCF TRUST FUNDS

GEF ID:	4852		
Country/Region:	Costa Rica		
Project Title:	Sustainable Management of Ecosystem Services: A model for Conservation and Sustainable Use of Biodiversity in Terrestrial Landscapes		
GEF Agency:	IADB	GEF Agency Project ID:	
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Biodiversity
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	BD-2; BD-2; Project Mana;		
Anticipated Financing PPG:	\$0	Project Grant:	\$3,485,330
Co-financing:	\$15,500,000	Total Project Cost:	\$18,985,330
PIF Approval:		Council Approval/Expected:	June 01, 2012
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Andrew Velthaus	Agency Contact Person:	Juan de Dios Mattos

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible?	March 23, 2012 Costa Rica ratified the CBD in 1992.	
	2. Has the operational focal point endorsed the project?	March 23, 2012 Yes. The Focal Point endorsed it on February 29, 2012.	
Agency's Comparative Advantage	3. Is the Agency's comparative advantage for this project clearly described and supported?	March 23, 2012 This project relates to mainstreaming of biodiversity conservation into development planning and productive sectors, including through market-based instruments, improved land-use planning, and certification schemes. This is appropriate for IADB in light of its focus on rural development and its increasing focus (under its 9th	

		ecosystems in the context of economic growth and development.	
	4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	<p>March 23, 2012</p> <p>The project will utilize GEF grant funding, but it will design compensation schemes for land-owners and producers, such as through payments for environmental services (PES), and the IDB is capable of undertaking this project.</p>	
	5. Does the project fit into the Agency's program and staff capacity in the country?	<p>April 10, 2012</p> <p>Thank you for clarifying in the PIF, IADB's staff capacity in country to supervise and provide implementation support. Thank you also for clarifying the relationship with IADB Loan 1024. We clear the PIF on these issues.</p> <p>March 26, 2012</p> <p>The project complements the IDB's two GEF projects in Costa Rica, this project seems completely disassociated with the IDB's lending program in country. For an MDB, normal practice for GEF grants is that they be associated with a loan. Also, no information is given as to staff capacity in country.</p> <p>GEF Secretariat requests IADB to explain how this project is related to its loan portfolio in country. Also, please answer whether loan financing can be brought in as cofinancing. Finally, explain IDB's staff capacity in country relevant for oversight of this project.</p>	

Resource Availability	Agency fee) within the resources available from (mark all that apply):		
	<ul style="list-style-type: none"> the STAR allocation? 	<p>March 23, 2012</p> <p>Yes. Costa Rica has \$8.27 million remaining in its BD STAR allocation, which is sufficient to cover this PIF and PPG as well as the \$3.71 million UNDP project that is also under review.</p>	
	<ul style="list-style-type: none"> the focal area allocation? 		
	<ul style="list-style-type: none"> the LDCF under the principle of equitable access 		
	<ul style="list-style-type: none"> the SCCF (Adaptation or Technology Transfer)? 		
	<ul style="list-style-type: none"> Nagoya Protocol Investment Fund 		
	<ul style="list-style-type: none"> focal area set-aside? 	<p>March 23, 2012</p> <p>The PPG requests \$70,000 in FSA funding to construct a baseline that includes a probabilistic study of results based on experimental design. We believe there is sufficient funding for this and it aligns with the existing strategy for programming the biodiversity FSA funds.</p>	
Project Consistency	7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework?	<p>March 23, 2012</p> <p>Yes. The project is aligned with BD Objective 2 on mainstreaming biodiversity conservation and sustainable use.</p>	
	8. Are the relevant GEF 5 focal/ multifocal areas/LDCF/SCCF/NPIF objectives identified?	<p>March 23, 2012</p> <p>Yes - BD objective 2 is identified, as are outcomes 2.1 and 2.2.</p>	

	9. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, or NAP?	<p>March 23, 2012</p> <p>The project has strong consistency with Costa Rica's National Development Plan, which calls for improved environmental and land-use planning for the conservation and protection of biodiversity.</p>	
	10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes?	<p>March 23, 2012</p> <p>The project articulates clearly that training and capacity building will be provided to ensure that improved land-use planning and increased use of compensation schemes for ecosystem services become a sustainable reality.</p>	
Project Design	11. Is (are) the baseline project(s), including problem (s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?	<p>April 11, 2012</p> <p>Thank you for clarifying how IADB loan 0142 serves as a baseline for this project. We clear on this issue.</p> <p>March 23, 2012</p> <p>There is a clear description of the baseline situation, and several baseline projects (some of them GEF funded), relating to land-use planning, ecosystem service payment systems, and other policies relevant for mainstreaming biodiversity in landscapes and productive sectors. But there is no baseline project that the IDB is financing that is identified. As noted in #5 above, we ask for an explanation for this.</p>	
	12. Has the cost-effectiveness been sufficiently demonstrated, including the cost-effectiveness of the project design approach as compared to		

	similar benefits?		
	13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/additional reasoning?	<p>March 23, 2012</p> <p>The proposal explains how the activities to be financed are incremental to the current baseline, including current projects underway. We believe that the project will be incremental with regard to PES, which is important since GEF has funded two efforts in this regard in Costa Rica. The project will support the extension of compensation schemes, including PES systems, to landholders in Norte-Norte socio-ecological management area (USEG), which has not received much support under previously approved efforts, and the focus will be to provide compensation in ecological corridors that have not been sufficiently covered.</p>	
	14. Is the project framework sound and sufficiently clear?	<p>March 26, 2012</p> <p>The project is sound and clear. It includes support for policy and regulatory reforms at the national level as well as interventions at the regional level (the Norte-Norte USEG): assessment of ecological services, reform of land-use plans, and extension of compensation mechanisms for ecosystem services.</p> <p>It is clear that the project's sub-national components at build on one another, the final proposal should clarify the distinction between the national and sub-national components and explain</p>	

	<p>15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?</p>	<p>April 10, 2012</p> <p>Thank you for improving the amount of detail in the project on what types of technologies will be promoted.</p> <p>March 23, 2012</p> <p>The methodology and assumptions for the extension of PES systems to land-holders currently not receiving compensation, particularly those in ecological corridors, seems sound and appropriate. And the proposal builds off of STAP guidance concerning PES systems and the shortcomings identified in STAP publications.</p> <p>The PIF needs to clarify, however, the parts of Section B.2. (Incremental/Additional Cost Reasoning), paragraph 4, component 3 (Sustainable management of ecosystem services in the USEG norte-norte) that relate to how the project will support producers to "adopt technologies and to implement practices that protect and conserve biodiversity." The PIF and PPG talk about "technologies" that will be analyzed and promoted to protect biodiversity and increase yields, including best practices. This project is in Costa Rica, one of the world's most advanced countries in production practices to protect biodiversity, so these measures should be well known. The PIF should include more detail on what types of practices will be promoted and how such practices will protect biodiversity.</p>	
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	<p>16. Is there a clear description of: a) the socio-economic benefits, including gender dimensions, to be delivered by the project, and b) how will the delivery of such benefits support the achievement of incremental/ additional benefits?</p>	<p>April 11, 2012</p> <p>Thank you for adding language to the PIF to track the participation of women and indigenous communities. Clear on this issue.</p> <p>March 23, 2012</p> <p>With the links between ecosystem services and human welfare and livelihoods, the description of socio-economic benefits is sufficient. But there is no mention of gender.</p> <p>In the revised PIF, please mention how the project will seek to ensure that female landowners/ heads of households receive benefits from compensation schemes in an equitable manner.</p> <p>The current WB implemented "Mainstreaming Market-based Instruments for Environmental Management Project" tracks the number of female landowners contracting for PES compensation. We would like this project to commit to tracking benefits to/participation in compensation schemes.</p>	
	<p>17. Is public participation, including CSOs and indigeneous people, taken into consideration, their role identified and addressed properly?</p>	<p>April 11, 2012</p> <p>Thank you for adding detail regarding the participation of indigenous peoples. Clear on this issue.</p> <p>March 23, 2012</p> <p>Participation by CSOs is addressed, but there is no mention of Indigenous</p>	

		<p>Please clarify if there are significant Indigenous Peoples present in the Norte-Norte region. If so, how will the project seek to ensure equitable participation in the project? Please also explain how the planned national policy reform efforts take into account the needs of Indigenous Peoples?</p>	
	<p>18. Does the project take into account potential major risks, including the consequences of climate change and provides sufficient risk mitigation measures? (i.e., climate resilience)</p>	<p>April 11, 2012</p> <p>Thank you for clarifying what will be done to avoid the risk of double compensation and how climate change risks will be addressed. We clear on this.</p> <p>March 23, 2012</p> <p>One risk not addressed completely is that of double compensation of land-owners in the Norte-Norte USEG from existing mechanisms (e.g. national PES schemes and any scheme created for this project. Please explain how this will be avoided in section B.4.</p> <p>The project does not mention much on climate risk. During project preparation and implementation, we encourage the project to apply knowledge from existing studies of expected climate change impacts in Costa Rica to both the national and regional-level components of the project. This is particularly relevant to component 1 (Characterization and assessment of ecosystem services) since the project should consider how climate change projections might influence spatial</p>	

		owners for ecosystem service generation.	
	19. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	<p>April 11, 2012</p> <p>We are satisfied with the response on how systems will be put in place to ensure against overlap and double compensation.</p> <p>March 23, 2012</p> <p>The PIF identifies existing programs with this project will be coordinated, most importantly the existing GEF-funded, World Bank-implemented "Mainstreaming Market-based Instruments for Environmental Management Project. As noted in 18 above, we would like to see a clearer statement as to how potential overlapping compensation schemes will be avoided with existing PES schemes to be strengthened under this project.</p> <p>The final sentence of paragraph B.6. 2 needs to be completed. Please explain how this project will coordinate with GEF project 2773 - on what issues will it coordinate.</p>	
	20. Is the project implementation/ execution arrangement adequate?	<p>April 11, 2012</p> <p>As mentioned in comment 5 above, we clear on this issue.</p> <p>March 23, 2012</p> <p>As mentioned in comment 5, please</p>	

		and how this will aid in oversight of the project	
	21. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes?		
	22. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?		
Project Financing	23. Is funding level for project management cost appropriate?	March 23, 2012 Yes, project management costs are 5% of the GEF grant.	
	24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs?	March 23, 2012 The funding and co-financing are adequately distributed for the two objectives.	
	25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.	April 13, 2012 We are pleased that the IDB was able to identify additional cofinancing through an IDB loan. We clear. April 11, 2012 We thank IDB for its explanations, but the amount of co-financing has not changed. We request that IDB and the Costa Rican authorities identify increased co-financing for this project so that it is above a 1:4 ratio. Consider elements of the project that loan 1024 will finance that would be appropriate to include. March 26 2012	

		<p>The cofinancing is at a ratio of 1:3.6, which is lower than what we would have expected for a project implemented by an MDB. The co-financing ratio is lower for the components on policy reform but is significantly higher (1:7:3) for the sub-national investment components.</p> <p>We request that the IADB leverage some additional funds from this project, particularly from its own resources (see #26 below) or explain why it is not able to.</p> <p>In the revised PIF, please fix cofinancing totals in Table A, B, and C so that they match. (Table A looks off by \$10,000).</p>	
	<p>26. Is the co-financing amount that the Agency is bringing to the project in line with its role?</p>	<p>April 13, 2012</p> <p>We are pleased that the IDB was able to identify additional cofinancing through an IDB loan. We clear.</p> <p>April 11, 2012</p> <p>Thank you for clarifying how the grant is related to the GEF project. We do not believe IADB is contributing sufficiently to this project. We request that IDB increase its cofinancing contribution to this project by the time of CEO endorsement.</p> <p>March 26, 2012</p> <p>As a development bank, we would have expected the IADB to be able to bring</p>	

		<p>\$400,000. Normally MDBs should associate GEF grants with their lending portfolio. Please increase the amount or clarify why the amount is so meager.</p> <p>That issue notwithstanding, we request that in paragraph C. 1 that the IADB explain explain the source of the grant identified (is this a GEF/SCCF grant?) "Costa Rica Biodiversity Adaptation to Climate Change" and why it constitutes cofinancing for this project. Please explain how it is relevant to the realization of the objectives of this project.</p>	
Project Monitoring and Evaluation	27. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		
	28. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Agency Responses	29. Has the Agency responded adequately to comments from:		
	• STAP?	NA	
	• Convention Secretariat?	NA	
	• Council comments?		
	• Other GEF Agencies?	NA	
Secretariat Recommendation			
Recommendation at PIF Stage	30. Is PIF clearance/approval being recommended?	<p>April 13, 2012</p> <p>We clear on this PIF as the issues in 25 and 26 above have been resolved.</p> <p>April 11, 2012</p> <p>We do not clear the PIF. As indicated in 25 and 26 above, we believe this</p>	

		<p>All other comments have been responded to adequately.</p> <p>March 26, 2012</p> <p>The GEF Secretariat requests that a revised PIF be submitted that addresses comments #5 (and related one at 20), 11, 14, 15, 16, 17, 18, 19, 25, and 26.</p>	
	31. Items to consider at CEO endorsement/approval.		
Recommendation at CEO Endorsement/ Approval	32. At endorsement/approval, did Agency include the progress of PPG with clear information of commitment status of the PPG?		
	33. Is CEO endorsement/approval being recommended?		
Review Date (s)	First review*	March 26, 2012	
	Additional review (as necessary)	April 11, 2012	
	Additional review (as necessary)	April 13, 2012	
	Additional review (as necessary)		
	Additional review (as necessary)		

*** This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments. Greyed areas in each section do not need comments.**

REQUEST FOR PPG APPROVAL

Review Criteria	Decision Points	Program Manager Comments
PPG Budget	1. Are the proposed activities for project preparation appropriate?	<p>April 13, 2012</p> <p>With the reductions in the PPG budget and items to be funded, we believe the activities are appropriate. We clear.</p> <p>April 12, 2012</p> <p>We thank IADB for the explanations given, but despite the answers we still</p>

for economic analysis related to impact measurement, which seems to overlap with the \$70,000 requested for baseline work related to experimental design. We believe some savings can be found within this \$96,000.

Stakeholder analysis is key, but one of the strengths that an MDB brings to the GEF is its system of safeguards and MDBs in the past have paid the costs for implementing its safeguards, which includes stakeholder consultations.

On the issue of "technology menus" we do not understand how the information on this does not exist already from the project funded by CR-0142 by the MAG. See comment below. We also are not convinced that the analysis of InBio and SINAC are needed given how frequently they work with foreign donors. This seems excessive.

We believe some savings should be found between all the elements listed above.

March 23, 2012

All the activities except the three below appear to be appropriate and necessary. We need further justification as to why the activities mentioned below are necessary for this project.

1. Institutional analysis and operational manual. (\$11,004) This is partly to conduct "fiduciary and financial analysis of the executing agency (or agencies?)." The agencies in question are InBio and SINAC, which have executed numerous GEF projects under MDBs. We fail to see why additional fiduciary and financial analysis is necessary.
2. Environmental and social analysis report following IDB environmental and social safeguards (\$8,004): This is not something the GEF traditionally pays for.
3. Definition of Technology Menus: \$13,410 "Identification of a set of technologies appropriate for the project and their technical and economical feasibility defined." The PIF mentions that "the technologies proposed will be based on successful experiences from the PFPAS project (promotion of sustainable agricultural production) executed by MAG and funded by the IDB." Since these technologies are already known from this IDB project, we do not understand why a further \$13,000 is needed to "define" them. Further explanation is needed.

The request for funding from the FAS to prepare the monitoring and evaluation

		<p>for the strategy for programming biodiversity FSA funds. It is appropriate as an incentive for Costa Rica to incorporate experimental design in the project.</p> <p>The amount requested (\$70,000) is quite large, and we believe cost savings need to be found. As noted in comment 2 below, part of the high cost seems to be related to the hiring of an international consultant rather than a local consultant. Please justify why this is necessary and why a local consultant can not be hired for this.</p>
	2. Is itemized budget justified?	<p>April 11, 2012</p> <p>With the reductions in the budget of \$34,000, the budget is now justified.</p> <p>April 12, 2012</p> <p>Compared to the size of the project, the amount of PPG resources being requested are high. We can understand that some additional resources are needed for experimental design, but other projects of this size or larger have been requesting between about \$100,000 and \$125,000.</p> <p>IADB is best placed to determine where budget savings can be found, but we believe that this request should be pared back by \$30,000 and perhaps as much as \$50,000.</p> <p>March 23, 2012</p> <p>In addition to the additional justification for the three items mentioned above, please provide justification as to why international consultants (rather than local consultants) are needed for (a) the economic analysis related to the evaluation of economic benefits of the project ex ante for the baseline analysis, and (b) the preparation of documents for final approval.</p>
Secretariat Recommendation	3. Is PPG approval being recommended?	<p>April 13, 2012</p> <p>The GEF Secretariat recommends this PPG. Thank you for identifying \$34,000 in budget reductions.</p> <p>April 11, 2012</p> <p>We request that savings of at least \$30,000 be found in this PPG request.</p> <p>March 23, 2012</p>

		Not at this time. We request further justification of the items in 1 and 2 above.
	4. Other comments	
Review Date (s)	First review*	March 26, 2012
	Additional review (as necessary)	April 13, 2012

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